

Message Text

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ORIGIN EUR-12

INFO OCT-01 ISO-00 EB-07 CIAE-00 COME-00 INR-07 LAB-04

NSAE-00 SIL-01 OPIC-03 /035 R

DRAFTED BY EUR/WE:JWSWIHART:JKB

APPROVED BY EUR/WE - REBARBOUR

EB/OIA - ECONSTABLE

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R 070528Z AUG 76

FM SECSTATE WASHDC

TO AMEMBASSY ROME

INFO AMCONSUL MILAN

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E.O. 11652: N/A

TAGS: EINV, EGEN, ELAB, PINT, IT

SUBJECT: RANCO

REF: MILAN 2346

1. DEPT HAS RECEIVED FOLLOWING SUMMARY FROM RANCO BOARD OF DIRECTORS RE STATUS OF AGREEMENT REACHED DECEMBER 2, 1975, TO REOPEN THE COMO PLANT.

2. "ON AUGUST 8, 1975, RANCO INCORPORATED ANNOUNCED THE PENDING LIQUIDATION OF ITS ITALIAN SUBSIDIARY, RANCO CONTROLS S.P.A. THE RANCO BOARD OF DIRECTORS CONCLUDED THAT THE CORPORATION WAS UNABLE TO BEAR CONTINUING OPERATING LOSSES INCURRED AS A RESULT OF INABILITY TO REDUCE LABOR COSTS, SUBSTANTIALLY REDUCED MARKET DEMAND AND CERTAIN OVERHEAD COSTS. RANCO PROVIDED FOR AN ESTIMATED LOSS OF \$1 MILLION IN LIQUIDATION, WITH THE POSSIBILITY THAT LIQUIDATING LOSSES COULD EXCEED \$2 MILLION UNDER ADVERSE CIRCUMSTANCES.

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3. "SUBSEQUENTLY, RANCO RECEIVED REQUESTS FOR RECONSIDERATION FROM A NUMBER OF SOURCES, INCLUDING THE US STATE DEPARTMENT, ITALIAN OFFICIALS, AND LABOR REPRESENTATIVES.

4. "A MEMORANDUM OF UNDERSTANDING, SETTING FORTH THE CONDITIONS FOR REOPENING, WAS EXECUTED ON DECEMBER 2, 1975, BY CORPORATE OFFICIALS, A MEMBER OF THE EMPLOYERS ASSOCIATION OF COMO, ITALY, AND SENIOR UNION OFFICIALS.

5. "ON DECEMBER 3, 1975, AFTER EXTENSIVE NEGOTIATIONS BETWEEN THE CORPORATION AND UNION REPRESENTATIVES, BOTH IN ITALY AND THE UNITED STATES, THE CORPORATION AGREED TO REORGANIZE AND REOPEN ITS ITALIAN CONTROLS OPERATION ON A LIMITED BASIS WITH A SUBSTANTIALLY REDUCED LABOR FORCE.

6. "THE THRUST OF THE AGREEMENT WAS THAT THE WORK FORCE OF APPROXIMATELY 750 WOULD BE REDUCED TO A NEW WORK FORCE OF APPROXIMATELY 200, TO BE RECALLED GRADUALLY FROM JANUARY THROUGH MARCH, 1976, AND THEN BE ENLARGED BY A SECOND GROUP OF PEOPLE, APPROXIMATELY 250, TO BE RECALLED GRADUALLY IN THE PERIOD JULY THROUGH DECEMBER 1976. THE REHIRING OF THE LATTER GROUP WAS TO BE CONTINGENT UPON ECONOMIC CONDITIONS, DEMAND FOR RANCO PRODUCTS, AND AN AWARD BY THE ITALIAN GOVERNMENT OF A SUBSIDIZED LOAN OF NOT LESS THAN \$1 MILLION UNDER THE PROVISIONS OF EXISTING ITALIAN LAWS.

7. "RANCO PROMPTLY PROCEEDED WITH THE REEMPLOYMENT OF THE INITIAL GROUP OF 200. THEREAFTER, IN ANTICIPATION OF THE LOAN, AND IMPRESSED WITH THE COOPERATIVE SPIRIT OF THE EMPLOYEES, RANCO ALSO RECALLED AN ADDITIONAL 185 PEOPLE FROM THE SECOND GROUP OF APPROXIMATELY 250. RANCO HAS THUS MORE THAN FULFILLED ITS OBLIGATIONS.

8. "WHEN OPERATIONS WERE RESUMED, RANCO MADE APPLICATION FOR LOAN(S) FROM THE ITALIAN GOVERNMENT IN THE AMOUNT OF \$1 MILLION THROUGH ITS COUNSEL IN MILAN: MR. CLAUDIO CAMILLI, BAKER AND MCKENZIE, PIAZZA MEDA 3, MILAN, ITALY. AT THE SAME TIME, RANCO REVIEWED THE APPLICATION WITH A MR. LAURITI OF THE OFFICE OF THE MINISTRY OF INDUSTRY AND LIMITED OFFICIAL USE

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WAS ENCOURAGED TO PROCEED.

9. "WE ARE NOW ADVISED THAT THE SUBJECT LOAN WILL NOT BE AVAILABLE WITHIN THE NEXT TEN MONTHS AND THAT 15 MONTHS MAY LAPSE BEFORE APPROVAL IS RECEIVED. IN THESE CIRCUMSTANCES THE LOAN HAS LITTLE CURRENT VALUE. THE CORPORATION IS PRESENTLY PLANNING CAPACITY REQUIREMENTS FOR THE FUTURE; UNLESS THE SUBJECT LOAN IS AVAILABLE IN THE VERY

NEAR TERM, ITALIAN OPERATIONS OF THE COMPANY WILL BE AT A SEVERE DISADVANTAGE IN PLANNING OPPORTUNITIES AND THE RECALL OF ADDITIONAL WORKERS WILL BE IN JEOPARDY."

10. EMBASSY SHOULD APPROACH ITALIAN GOVERNMENT TO INQUIRE

INTO STATUS OF GOI LOAN TO RANCO. IF FACTS APPEAR TO WARRANT CONCERN EXPRESSED BY RANCO, YOU SHOULD TAKE OPPORTUNITY TO URGE PROMPT GOI ACTION TO MAKE AVAILABLE NEEDED FUNDS, POINTING OUT RISK THAT AGREEMENT COULD BECOME UNSTUCK IN THE ABSENCE OF NECESSARY GOI SUPPORT. HABIB

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: CENTRAL GOVERNMENT, LOANS, CLOSURE OF OFFICES, BUSINESS FIRMS
Control Number: n/a
Copy: SINGLE
Draft Date: 07 AUG 1976
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: ShawDG
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1976STATE196608
Document Source: CORE
Document Unique ID: 00
Drafter: JWSWIHART:JKB
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D760305-0048
From: STATE
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1976/newtext/t19760875/aaaacnvp.tel
Line Count: 126
Locator: TEXT ON-LINE, ON MICROFILM
Office: ORIGIN EUR
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: 76 MILAN 2346
Review Action: RELEASED, APPROVED
Review Authority: ShawDG
Review Comment: n/a
Review Content Flags:
Review Date: 03 MAY 2004
Review Event:
Review Exemptions: n/a
Review History: RELEASED <03 MAY 2004 by izenbei0>; APPROVED <26 AUG 2004 by ShawDG>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
04 MAY 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: RANCO
TAGS: EINV, EGEN, ELAB, PINT, IT, RANCO INCORPORATED, RANCO CONTROLS SPA
To: ROME
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006